

Special Council on Tax Reform: Final Recommendations



Background: HB 1405

- During the 2010 legislative session, the General Assembly passed HB 1405, which created the 2010 Special Council on Tax Reform and Fairness for Georgians and the Special Joint Committee on Georgia Revenue Structure.
- The legislation created a panel that would study the state's tax code and make recommendations to the legislature.

Special Council Members

- Four economists: Dr. David Sjoquist of GSU, Dr. Jeffrey Humphreys of UGA, Dr. Roger Tutterow of Mercer University, and Dr. Christine Ries of Georgia Tech
- Governor Sonny Perdue
- 2010 Chairperson of the Georgia Chamber of Commerce, Suzanne Sitherwood, and the 2010 Chairperson of the National Federation of Independent Business, Gerry Harkins
- Two members appointed by the Lt. Governor, Brad Dickson and Skeeter Mcorkle
- Two members appointed by the Speaker, AD Frazier and Roy Fickling

Timeline

- Council first convened on July 28th, 2010.
- Council held six meetings and eleven fact finding sessions.
- Made final recommendations on January 7th, 2011.

Council's Final Assessment

“The maintenance and expansion of Georgia’s highways and bridges are financed by fuel taxes, i.e., user taxes for which those who use (benefit from) the road system pay more in taxes. There are two taxes on gasoline which are dedicated for use on roads and bridges, a 7.5 cent per gallon tax and a 3 percent tax called the “prepaid state tax”. The 7.5 cent tax was set in 1971. The 3 percent tax was carved out of the sales tax in 1989; the revenue replaced, about dollar for dollar, the General Fund revenue that was being appropriated to transportation. The 3% tax is converted to a cent per gallon rate every six months based on current retail gas prices. Because this component of the fuel tax is based on the price of gasoline, this causes significant fluctuations in the sole source of state revenues that are dedicated for transportation purposes.

Georgia’s motor fuel tax on gas tax is presently at a total of \$0.151/gallon and the national average is \$0.223/gallon. On a per gallon basis, the combined fuel tax is the fourth lowest in the country. (This does not include local sales tax)

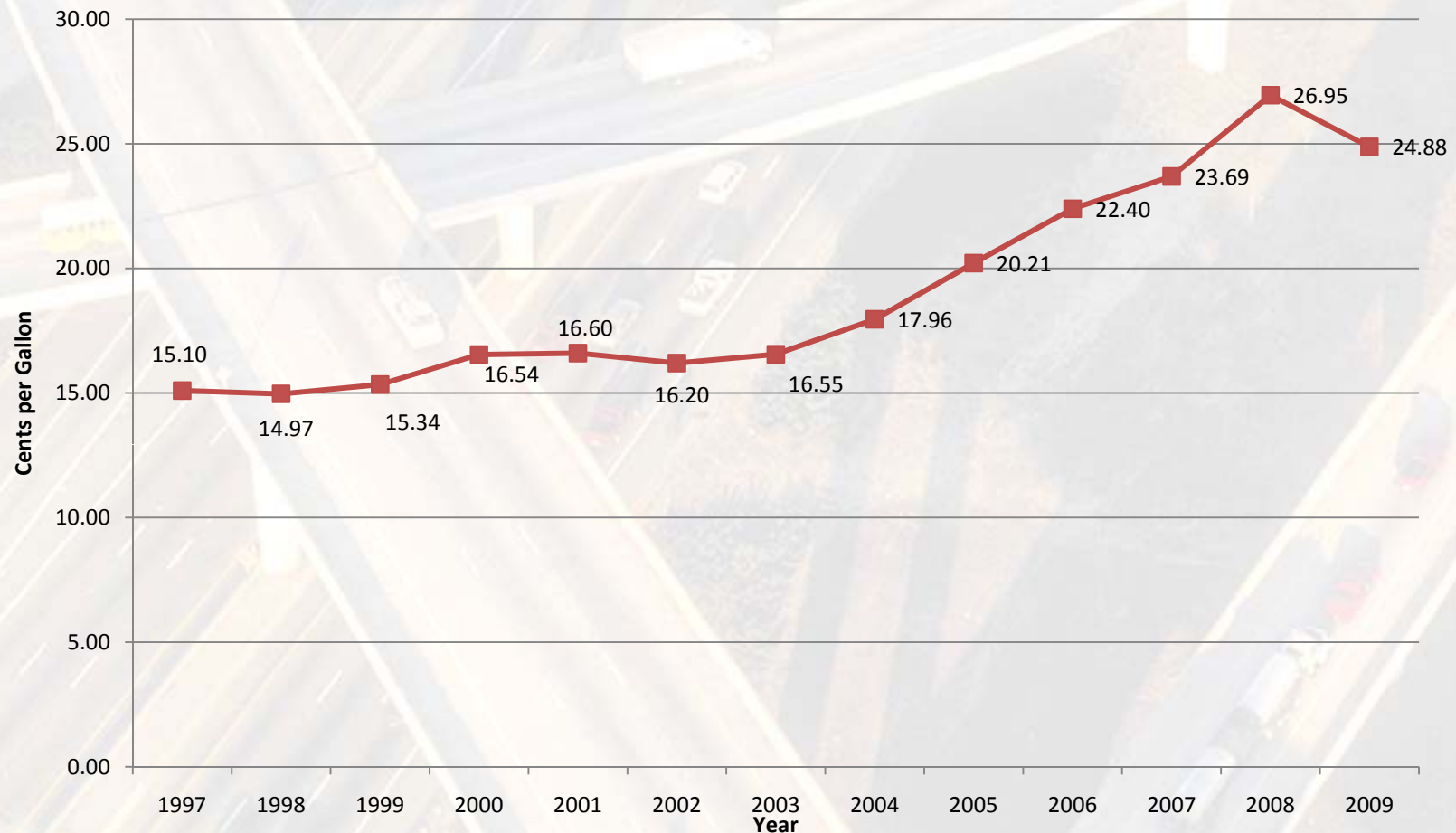
Revenue from these two taxes per vehicle mile traveled in inflation adjusted terms decreased over time until gas prices rose in the recent past, which increased the revenue from the 3 percent “prepaid state tax”. Gas prices have moderated some, but vehicle miles traveled have also declined.”

Final Recommendation

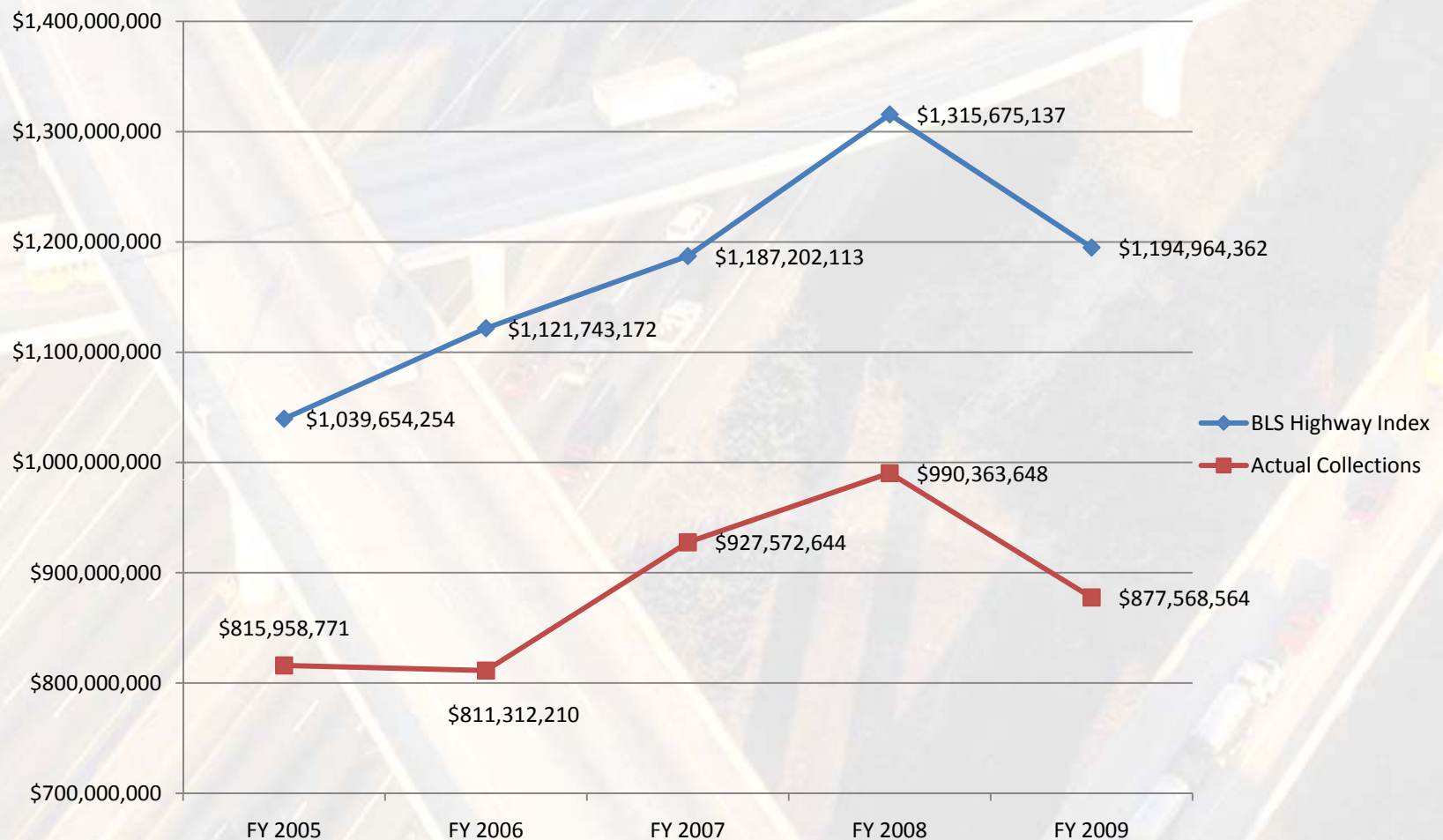
“The Tax Council recommends converting the current 3% motor fuel tax on gasoline to a cents per gallon rate (no recommendation for change of the 1% state sales tax on gasoline) to be combined with the current 7.5 cents per gallon rate, and adjusting this total rate annually by the highway construction index.”

Summary

- Increase the motor fuel excise tax to \$0.151/gallon.
- Eliminate the 3% sales and use tax.
- Adjust the rate annually by the highway construction index.



- Assumes Bureau of Labor Statistics for Highway Construction Costs
- Assumes 15.1 cents/gallon as base rate in 1997



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Next Steps

- The council's final recommendations will go before the Special Joint Committee on Georgia Revenue Structure for a series of hearings.
- The Joint Committee will recommend that a provision be adopted and send to the floor of the House for an up or down vote.
- No amendments will be allowed on the floor of the House.
- If approved by the House, the bill will go before the Senate with the same stipulation.



Questions?